

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2005

This discussion and analysis of financial position and results of operations of Anvil Mining Limited (the Company) and its subsidiaries for the second quarter and six months ended June 30, 2005 is presented as of July 29, 2005. The discussion below should be read in conjunction with the unaudited interim financial statements of the Company and the notes thereto for the second quarter and six months ended June 30, 2005 and the audited consolidated financial statements of the Company for the six months ended December 31, 2004. The Company's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles.

Capitalized terms used and not defined below have the meanings given to them in the consolidated financial statements and the notes thereto. References below to "\$" or "US dollar" refer to the United States dollar. The Company uses the US dollar as its reporting currency. Certain financial information relating to Anvil Mining Limited set out below originates in Canadian dollars (C\$) or Australian dollars (A\$) and has been translated into US dollars based on prevailing exchange rates and in accordance with the basis stated in note 3 to the audited consolidated financial statements for the Company for the six months ended December 31, 2004.

Additional information relating to the Company, including the Company's most recent Annual Information Form is available on SEDAR at www.sedar.com.

1. Overview

The Company is a mineral producing, development and exploration company with a focus on base and precious metal exploration and mine development.

The Company holds a 90% beneficial interest in the Dikulushi Mine and surrounding exploration areas, which is held under the terms of the Dikulushi Mining Convention (Mining Agreement) with the Government of the Democratic Republic of Congo (DRC).

The Company holds a 70% beneficial interest in the Mutoshi Copper-Cobalt Project in the Kolwezi region in DRC. The Mutoshi Project includes the Mutoshi Mine, the Kulumaziba coarse rejects/tailings deposit (Kulu Project), the Mutoshi Northwest Deposit, the Noika Deposit, the Kamukonko cobalt prospect and areas situated on the relatively under-explored southern edge of the Kolwezi Klippe, a prominent geological feature in the area. The total area included in the Mutoshi Project is 136.92 square kilometres.

The Company also holds a 70% interest in a joint venture with Mining Company Katanga s.p.r.l. (MCK) to carry out feasibility study work on the Kinsevere-Nambulwa copper-cobalt deposits in the Katanga Province of the DRC, owned by La Générale des Carrières et des Mines (Gécamines), the DRC state-owned mining company.

Dikulushi Copper-Silver Mine

The Dikulushi Mine is situated in the southeast part of the DRC in the Haut Katanga District. The Dikulushi Mine was developed by the Company using a staged development approach. Stage I comprised an open pit and a 250,000 tonnes per annum Heavy Media Separation (HMS) processing plant, which was commissioned in September 2002. The Stage II expansion, comprising a 350,000 tonnes per annum ball mill and flotation circuits was completed in September 2004. The mining operations at commencement of the open pit mine were conducted by a mining contractor. The transition from contract mining to owner mining, which started in June 2004 involved replacement of the mining equipment fleet with "dry hired" trucks, refurbished and new ancillary equipment and new excavators was completed during the March 2005 quarter.

In March 2005, a new unconstrained pit optimisation was completed which resulted in a 180 metre deep pit design. This 180 metre open pit now has a scheduled open pit Measured Resource of 199,000 tonnes grading 7.7% copper and 211 g/t of silver and an Indicated Resource of 728,000 tonnes grading 8.5% copper and 259 g/t of silver. The open pit scheduling shows a remaining life of 33 months of mining after which, stockpiles will be available for processing through the ball mill and flotation plant for a further six months. The revised 180 metre deep open pit has been used to develop the budget for calendar year 2005 and for GAAP purposes.

During June 2005, the second ball mill (acquired for the Stage II expansion) was successfully commissioned and this increased the plant throughput capacity from 45 tonnes per hour (tph) to 60 tph.

Up to June 2004, the deep drilling program at Dikulushi extended the known mineralization to a vertical depth of approximately 300 metres from the surface.

Further pit optimisation work is being undertaken in conjunction with planned deep drilling below a vertical depth of 300 metres from surface to determine the optimum level for the commencement of an underground mine (Stage III).

Kulu project and Mutoshi cobalt prospect

The Kulu Project will be developed in two stages. Stage I will involve utilizing the surplus HMS plant from the Company's Dikulushi Mine. The product from Stage I will be an oxide copper concentrate grading approximately 30% copper. Stage II will involve a substantial expansion of the operation by replacing the HMS plant with a solvent extraction electro-winning (SXEW) facility to produce copper cathode on site and for sale in the DRC. The Kulu deposit, which is a coarse rejects/tailings deposit in the Kulumaziba watercourse, has an inferred mineral resource, for the first 7.5 kilometres of the deposit, of 1.5 million tonnes at 6.8% copper using a top cut of 11.5% for approximately 102,000 tonnes of contained copper.

The Company is completing a full resource evaluation of the Kulu project coarse rejects/tailings and plans to complete the Stage I HMS plant commissioning before the end of the 2005 year.

The refurbishment of the surplus Dikulushi HMS plant has been completed and most of the plant and equipment has already been transported to the new site at Kolwezi.

An 8,014 metre reverse circulation (RC) drilling and 1,648 metre diamond drilling program on the Mutoshi cobalt prospect was completed during the second quarter and a resource estimation is scheduled for completion during the third quarter of 2005.

Kinsevere-Nambulwa Project

A program of regional sampling, termite-hill sampling, trench sampling and a total of 8,063 metres of RC and diamond drilling has been completed on the Kinsevere, Tshifufiamashi, Tshifufia Central and South exploration areas during the second quarter to verify indicated resources down to at least 40m depth and inferred resources down to approximately 75m depth. The samples from the above RC holes have been sent to ALS Chemex in Johannesburg for analysis. The Tshifufiamashi, Kinsevere, Tshifufia Central and Tshifufia South prospects are also anomalous in cobalt.

2. Second Quarter and Six Months ended June 30, 2005

	Second Quarter		Six months ended June 30	
	2005	2004	2005	2004
Revenues: (\$ millions)				
Copper-silver concentrate sales	10.5	8.2	18.2	15.5
Payable pounds of copper in concentrate delivered (lbs millions)	6.8	7.1	12.4	13.8
Payable ounces of silver in concentrate delivered (ozs)	262,111	287,780	492,279	514,777
Operating profit (loss)⁽¹⁾ – before amortization: (\$ millions)				
	3.8	3.3	5.0	7.0
Amortization: (\$ millions)	1.3	0.7	2.7	1.2
Net earnings (loss): (\$ millions)	0.2	1.5	(1.5)	3.1
Production statistics:				
Ore processed (tonnes)	81,518	70,053	162,330	128,727
Copper grade (%)	4.87	6.42	4.37	7.07
Contained Copper (tonnes)	3,971	4,500	7,090	9,103
Recovery (%)	85.5	71.0	84.0	72.0
Copper produced (tonnes)	3,395	3,189	5,954	6,554
Silver produced (ounces)	301,967	301,315	547,011	557,268
Ore mined (tonnes)	72,214	77,677	164,076	122,331
Waste mined (tonnes)	1,751,590	642,018	3,073,309	1,321,984
Costs of production⁽¹⁾: (\$)				
Operating cash costs per pound (ex mine gate after silver credit)	0.37	0.28	0.49	0.23
Total cash costs (after silver credit)	0.79	0.55	0.93	0.50

(1) Refer to Non-GAAP Financial Measures on page 12.

3. Discussion of Earnings and Operations

Revenues (six months)

Revenues from the Dikulushi mine increased to \$18.2 million (2004 six months: \$15.5 million) from the delivery of 12.4 million payable pounds of copper (2004 six months: 13.8 million pounds) resulting mainly from the effect of higher copper and silver prices realized for the six months to June 2005 against the lower payable pounds of copper and ounces of silver delivered during the six months ended June 2005.

The average realized copper and silver prices for the six months were \$1.36 per pound (2004 six months: \$1.15 per pound) and \$6.73 per ounce (2004 six months: \$6.00 per ounce) respectively.

Revenues (second quarter)

The sales of copper-silver concentrate from the Dikulushi Mine for the second quarter realized \$10.5 million (June 2004 quarter: \$8.2 million) from the sale of 6.8 million pounds of payable

copper and 262,111 ounces of payable silver (June 2004 quarter: 7.1 million pounds of payable copper and 287,780 ounces of payable silver).

The average realized copper and silver prices for the second quarter were \$1.40 per pound (June 2004 quarter: \$1.18 per pound) and \$6.70 per ounce (June 2004 quarter: \$5.88 per ounce) respectively.

Operating Expenses (six months)

Operating expenses before amortization for the six months were \$13.2 million (2004 six months: \$8.6 million) reflecting higher operating costs associated with the Stage II ball mill and flotation plant and additional costs associated with the transition from contract mining to owner mining operations when compared with the comparative period in 2004. The operating costs in the six months to June 2005 also include a non recurring agreed settlement of \$0.8 million for a copper price backwardation penalty against late deliveries of 2004 contractual commitments which were not completed until early 2005.

The total cash operating cost per pound of copper produced (after silver credits and excluding the non recurring agreed settlement provision for backwardation above) for the six months to June 2005 was \$0.93 (2004 six months: \$0.50) from production of 13.1 million pounds of copper (2004 six months: 14.4 million pounds). This was the result of a lower grade of ore being treated, compensated by higher copper recovery. The combination of both lower copper production (by 1.3 million pounds) and comparatively higher transport (\$0.22 per pound – 2004 six months: \$0.15 per pound) and smelting and refining and realization costs (\$0.21 per pound – 2004 six months: \$0.12 per pound) applicable since January 2005 contributed to the higher total cash operating cost for the six months to June 2005.

Amortization for the six months was \$2.7 million (2004 six months: \$1.2 million) reflecting the increased amortization from the Stage II ball mill and flotation plant expansion completed in September 2004.

Operating Expenses (second quarter)

Production of contained copper and silver in concentrates in the second quarter returned to expected budgeted levels in June 2005, following the re-accessing of the main orebody at the bottom of the open pit in April 2005. Waste stripping was significant (1.7 million tonnes compared with 0.6 million tonnes in the June 2004 quarter) but in line with the revised open pit optimization for the 180 metre deep open pit. The head-grade of ore to the plant for the second quarter averaged 4.87% copper (March 2005 quarter: 3.86%) which was on budget and in line with expectations.

Operating expenses before amortization for the second quarter were \$6.7 million (June 2004 quarter: \$4.9 million) and reflected expected higher operating costs associated with the Stage II expansion and from an increase in manning levels as a result of the change from contract mining to owner-operated mining. In the second quarter, operating costs also included a non-recurring agreed settlement of \$0.8 million for a copper price backwardation penalty against late deliveries of 2004 contractual commitments. These deliveries were not completed until early 2005.

The total cash operating cost per pound of copper produced (after silver credits and excluding the non recurring agreed settlement provisions for backwardation referred to above) in the second quarter was \$0.79 (June 2004 quarter: \$0.55) from the production of 7.5 million pounds of copper (June 2004 quarter: 7.0 million pounds). The higher level of production achieved since June 2005 did not adequately compensate for the higher level of fixed operating costs associated with the ball mill and flotation plant and the higher transport (\$0.21 per pound – June 2004 quarter: \$0.16 per pound) and smelting and refining and realization costs (\$0.21 per pound – June 2004 quarter: \$0.12 per pound) costs incurred in the second quarter.

During June 2005, following the successful commissioning of the second ball mill, copper production for the month increased to 1,478 tonnes (3.2 million pounds) and the total cash operating cost reduced to \$0.70 per pound of payable copper.

Amortization for the second quarter was \$1.3 million (June 2004 quarter: \$0.7 million) reflecting the additional amortization of capital associated with the Stage II expansion.

The operating result (after amortization) for the second quarter was a profit of \$2.5 million (June 2004 quarter: \$2.6 million). The second quarter results were affected by both higher realized metal prices for both copper and silver and lower delivered copper and silver quantities. Fixed operating costs were higher as expected with the expanded plant. The non-recurring agreed settlement of \$0.8 million for a copper price backwardation penalty against late deliveries of 2004 contractual commitments also impacted the operating results.

Net Earnings (six months)

The net earnings for the six months were a loss of \$1.5 million (2004 six months: profit \$3.1 million). The basic loss per share was 5.0 cents per share (2004 six months: earnings 15.0 cents per share).

In addition to the impact from changes in revenues, operating costs and amortization during the six months, the net profit result for the six months compared with June 30, 2004 six months, also reflect the following changes:

- General, administrative and marketing costs, primarily relating to the corporate office costs in Australia and Canada was \$1.9 million (2004 six months: \$0.9 million) an increase of 111% as a result of the Reorganisation in June 2004 and an expanded corporate governance, financial control and administrative support infrastructure for the management, administration, accounting and other administrative support services being provided from the corporate offices in order to support the expanding business units in DRC which now include the Mutoshi and Kinsevere Projects.
- The stock based compensation cost in the six months ended June 30, 2005 of \$0.3 million (2004 six months: \$0.2 million) which relates to the accrued cost of option plans granted to employees and directors designed as incentives for maintaining and increasing performance.
- Interest and financing fees of \$1.5 million (2004 six months: \$1.3 million) in the six months ended June 30, 2005, and which, in the comparative quarter includes the finance cost associated with the RMB International (Dublin) Limited (RMBI) facility fee (which include the 6.25% net smelter return (NSR)). The higher level of fees reflects a higher NSR component due to the higher realized copper and silver prices in the six months to June 2005.

Net Earnings (second quarter)

The net earnings for the second quarter was a profit \$0.2 million (June 2004 quarter: profit \$1.5 million). The basic profit per share was 1.0 cent per share (June 2004 quarter: earnings 7.0 cents per share) due partly to the non-recurring agreed settlement of \$0.8 million for a copper price backwardation penalty against late deliveries of 2004 contractual commitments which were not completed until early 2005 and the effect of increases in production output, following the commissioning of the second ball mill in June 2005, only being realized later in the quarter.

4. Discussion of Cash Flows

	Second Quarter		Six months ended June 30	
	2005	2004	2005	2004
Cash flows from: (\$ millions)				
Operating activities	2.7	1.9	(0.9)	3.0
Investing activities	(5.4)	(3.2)	(13.3)	(5.8)
Financing activities	(1.5)	6.4	11.2	7.9

Six months cash flows

The cash outflow for the six months of \$0.9 million (2004 six months: inflow \$3.0 million) reflects the funding of the increase in “run of mine” ore stockpiles and increases in inventory levels to sustain the Stage II ball mill and flotation plant expansion as well as the owner mining operations during the first quarter offset by increased revenues and the increase in the level of creditors in the second quarter.

The cash outflow from investing activities for the six months of \$13.3 million (2004 six months: outflow \$5.8 million) reflected the Mutoshi asset acquisition and Kulu development work during the six months and exploration on the Mutoshi cobalt project and the Kinsevere-Nambulwa project.

The cash inflow from financing activities generated a net \$11.2 million (2004 six months: net inflow \$7.9 million). This net movement arose from the release of escrow funds associated with the Private Placement of 3,240,000 shares and 1,620,048 share purchase warrants which was completed in December 2004 and approved by shareholders in a general meeting in January 2005 offset by the quarterly repayments totalling \$3.4 million against the RMBI loan facility.

Second quarter cash flows

The cash inflow from operating activities for the second quarter was \$2.7 million (June 2004 quarter: inflow of \$1.9 million). The cash operating inflow for the quarter was attributable to realization of higher copper and silver prices and the build up effect of a higher level of creditors relating to the higher level of operating costs.

The cash outflow from investing activities for the second quarter of \$5.4 million (June 2004: outflow \$3.2 million) was mainly in relation to costs capitalised for exploration and development projects during the quarter of \$3.2 million (June 2004 quarter: \$0.1 million) which included \$2.0 million paid in relation to the acquisition of the Mutoshi Project and payments associated with the exploration and development activity at the Mutoshi and Kinsevere-Nambulwa projects and development and exploration on the Kulu Project.

The cash outflow from financing activities for the second quarter consumed a net \$1.5 million (June 2004 quarter: net inflow \$6.4 million). This net movement arose from receipts from Directors in relation to loans provided (in order to preserve Directors’ existing rights relating to partly paid shares in Anvil NL) prior to the Reorganization of the Company of \$0.5 million offset by the quarterly repayment of \$2.0 million against the RMBI loan facility which was paid prior to June 30, 2005.

5. Discussion of Financial Position and Liquidity

	June 30 2005	December 31 2004
Assets (\$ millions)		
Cash and cash equivalents (including restricted cash)	1.6	18.7
Current assets	14.7	27.0
Total assets	63.0	56.6
Liabilities (\$ millions)		
Current liabilities	15.6	11.8
Long-term debt	-	1.5
Total liabilities	20.6	14.2
Shareholders' equity (\$ millions)	42.4	42.3
Working capital (\$ millions)	(0.9)	15.2
Weighted average number of shares	28,663,978	23,733,305
Outstanding number of shares	29,041,848	25,624,229

Cash and cash equivalents

The cash and cash equivalents (including restricted cash) decrease to \$1.6 million at June 30, 2005 (March 2005: \$5.8 million), was attributable primarily to the outflows from operating activities and investing activities associated with the acquisition of the Mutoshi Project inclusive of payments associated with the exploration and development activity at the Mutoshi and Kinsevere-Nambulwa projects and development and exploration on the Kulu Project. The finance repayments against the RMBI project loan facility totalling \$ 3.4 million also contributed to the decrease as a \$2.0 million instalment payment against the RMBI project loan facility occurred prior to June 30, 2005.

In June 2005, RMBI approved an additional working capital facility of \$4.0 million. This facility was fully drawn down on July 7, 2005.

Current assets

The total current assets decrease to \$14.7 million at June 30, 2005 (Dec 2004: \$27.0 million) was mainly due to a decrease in cash, utilised to fund the exploration, development and Mutoshi Project acquisition, repayment of the RMBI debt as well as the acquisition of property, plant and equipment assets for exploration and development activity.

Total assets

The net increase in total assets at June 30, 2005 to \$63.0 million (Dec 2004: \$56.6 million) was attributable to an increase in exploration and development costs (\$16.7 million), the majority being for the acquisition of the Mutoshi project, an increase in receivables (\$1.7 million) from financing of earthmoving trucks and spares for the contractor providing the "dry hire" haulage fleet, an increase in deferred waste movement (\$1.0 million), and an increase in inventories (\$2.9 million) offset by a net decrease in cash and restricted cash balances (\$17.1 million).

Current liabilities

Current liabilities at June 30, 2005, were \$15.6 million (Dec 2004: \$11.8 million) arising primarily from higher level of accounts payable and accrued liabilities from the increased operational costs and exploration and development activity during the quarter (\$3.3 million) and the recognition of the net present value of purchase consideration payments (\$2.4 million) due in relation to the acquisition of the Mutoshi project offset by reclassification of \$1.5 million of debt from long term to current, less repayments of \$3.4 million of debt.

Total liabilities

Total liabilities at June 30, 2005 were \$20.6 million (Dec 2004: \$14.2 million). The increase is due to the unpaid net present value of payments (\$6.5 million) due in relation to the acquisition of the Mutoshi project.

Long Term Debt

Total long-term debt was \$nil at June 30, 2005 (Dec 2004: \$1.5 million) as all future repayments associated with the RMBI debt are now classified as current liabilities as they are repayable by March 31, 2006.

Working capital

Working capital reduced to a deficit of \$0.9 million at June 30, 2005 (Dec 2004: \$15.2 million) mainly due to;

- acquisition of the Mutoshi Project,
- exploration expenditure in relation to Mutoshi and Kinsevere tenements, and
- expenditure on drilling equipment for the increased exploration activity on Mutoshi tenements and other capital items associated with the Dilukushi project.

The Company finalised an additional working capital facility in June 2005 with RMBI of \$4.0 million which was fully drawn down on July 7, 2005. Negotiations to finance the Kulu Project Stage I capital development, including the scheduled acquisition payments on the Mutoshi Project are continuing.

Shareholders' equity

Shareholders' equity at June 30, 2005 increased slightly to \$42.4 million (Dec 2004: \$42.3 million) mainly from the combined incremental effect of the non-cash issues of equity (in relation to the Mutoshi acquisition and increase in ownership percentage on the Duc Bo project) during the first quarter coupled with a small profit recovery during the June 2005 quarter more than offsetting the net loss incurred in the first quarter.

At June 30, 2005, the Company had 29,041,848 common shares outstanding. In addition there were outstanding 1,140,000 director and employee stock options with exercise prices ranging from C\$4.25 to C\$5.60 and ranging from A\$1.20 to A\$6.50 per share respectively. The Company had 3,416,631 share purchase warrants outstanding, of which 296,631 are exercisable at a price of A\$1.20 per share, 500,000 are exercisable at a price of A\$3.00 per share and 2,620,000 exercisable at a price of C\$6.25 per share, expiring on January 15, 2006, August 31, 2006 and December 16, 2007 respectively. Further details of these instruments are set out in note 14 of the Company's December 31, 2004 annual financial statements.

6. Other Matters

Segment Information

Geographical Reporting	Second Quarter 2005			Six months ended June 30, 2005		
	DRC	Corporate	Total	DRC	Corporate	Total
Revenues	10.5	-	10.5	18.2	-	18.2
Cost of production	(8.0)	-	(8.0)	(15.9)	-	(15.9)
Other expenses	(0.8)	(1.3)	(2.1)	(1.5)	(2.2)	(3.7)
Non controlling interest	(0.2)	-	(0.2)	(0.1)	-	(0.1)
	1.5	(1.3)	0.2	0.7	(2.2)	(1.5)

Geographical Reporting	June 2004 Quarter			Six months ended June 30, 2004		
	DRC	Corporate	Total	DRC	Corporate	Total
Revenues	8.2	-	8.2	15.5	-	15.5
Cost of production	(5.4)	-	(5.4)	(9.8)	-	(9.8)
Other expenses	(0.7)	(0.5)	(1.2)	(1.5)	(0.7)	(2.2)
Non controlling interest	(0.1)	-	(0.1)	(0.4)	-	(0.4)
	2.0	(0.5)	1.5	3.8	(0.7)	3.1

DRC revenues and expenses relate to the Dikulushi Mine operations. Corporate expenses relate to the general, administrative and marketing costs of the activities of the Perth and Toronto offices.

Deferred Exploration

As at June 30, 2005 the Company had deferred exploration costs of \$21.4 million (Dec 2004: \$4.7 million), which increased by \$16.7 million arising mainly from the acquisition of the Mutoshi project and exploration expenditure on the Kinsevere Project as well as development and engineering design and scoping studies related to the Kulu Project in Kolwezi.

7. Outlook

Following the completion of the Stage II expansion of the ore processing facilities at the Dikulushi Mine in September 2004, successful commissioning in October 2004 and the commissioning of the second ball mill in June 2005, the Company is budgeting to produce 20,000 tonnes of copper and 1,600,000 ounces of silver contained in concentrates on an annualized basis. The Company recovered from the problems associated with the backlog of waste removal and the inability to access the main orebody from inadequate mining equipment fleet capacity during the transition from contractor mining to owner mining (where the mine owner owns and operates the primary mining and haulage equipment) in mid April 2005. By the end of June 2005 the Company was close to achieving its budgeted throughput rates.

The adoption of a revised 180 metre deep pit optimization from April 2005 will enable the Company to operate the open pit for a further 33 months and investigate and evaluate the development of a Stage III underground mine following the completion of a programme of deep drilling below 300 metres vertical depth, scheduled for the fourth quarter of 2005.

In June 2005, RMBI approved an additional working capital finance facility, of \$4.0 million and the facility was fully drawn down on July 7, 2005.

As at June 30, 2005 the Company has ongoing negotiations on a facility to finance the Kulumaziba coarse rejects/tailings Project (Kulu Project), scheduled acquisition payments and the Stage I capital development costs, to enable the Company to commence commercial production at the Kulu Project by the end of the 2005 year

8. Critical accounting policies, risks and uncertainties

The accounting policies that involve significant management judgement and certain risks and uncertainties are discussed in this section. For a complete list of the significant accounting policies, reference should be made to note 3 of the December 31, 2004 consolidated financial statements and a more detailed analysis of the risk factors the Company is faced with can be found in the most recent annual information form available on SEDAR at www.sedar.com.

Liquidity and Going Concern

At June 30, 2005, the Company has an excess of current liabilities over current assets of \$0.9 million. This deficiency arises from the quarterly debt repayment schedule inherent in the project debt finance facility provided by RMBI, the current portion of purchase consideration due in respect of the Mutoshi Project acquisition and a higher level of payables associated with the operations of the Dikulushi Project and exploration and development activity on the recently acquired exploration and development Project areas.

The total current liabilities balance at June 30, 2005, of \$15.6 million includes project debt finance of \$4.8 million to be repaid within the next twelve months. These repayments are expected to be funded from the Company's operating cashflow to be generated over the twelve month period from July 1, 2005 to June 30, 2006. Also included in total current liabilities is \$2.4 million of purchase consideration associated with the Mutoshi Project acquisition which is currently deferred in accordance with the agreement because the legal work regarding the transfer of the tenement is not complete. In June 2005, RMBI approved an additional working capital finance facility, of \$4.0 million, which was fully drawn down on July 7, 2005.

The Company has ongoing negotiations on the facility to finance the Kulumaziba coarse rejects/tailings Project (Kulu Project) acquisition payments and the Stage I capital development costs.

The Directors are confident that the events and proposed actions discussed in this Management's Discussion and Analysis will result in adequate funding being available to allow the Company to meet its liabilities in a timely manner and continue to operate as a going concern.

Mine properties

The Company adopts a unit-of-production method to amortize its mine properties. This method requires estimates of economically recoverable reserves of the Company's mine properties. Independent Qualified surveyors and geologists are engaged to estimate the economic recoverable reserves. The estimation process involves sampling and other statistical tools to estimate the amount of recoverable reserves.

Variations in the estimates of the recoverable reserves from period, to period when the recoverable reserves are re-calculated affect both the carrying value of plant, property and equipment as well as the amortization charges for any given financial period.

Exploration Costs

The Company accumulates certain costs associated with exploration activities on specific areas of interest where the Company has rights of tenure. The Company's policy is to expense any exploration and associated costs relating to non-specific projects and properties. Significant property acquisition, exploration, evaluation and development costs relating to specific properties

for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is put into production, sold or abandoned. No costs are deferred on a mineral property that is considered to be impaired in value. As at June 30, 2005, the Company has deferred exploration costs of approximately \$21.4 million associated with exploration properties in Africa and Southeast Asia.

Deferred Mining Costs

The Company uses the deferred stripping accounting method for mining costs associated with waste rock removal, which is being stripped at a rate in excess of the life-of-mine average. Such waste rock mining costs are deferred and charged to operations on the basis of the average stripping ratio for the life of the mine. The waste to ore ratio and remaining life of the mine are both regularly assessed to ensure that both the carrying value and rate of deferral are appropriate.

The amount deferred or charged to cost of production is subject to management's estimate of the stripping ratio over the life of the mine. Any change in the stripping ratio or mine life estimate could have a material effect on the financial results. The Company adopted the revised open pit mine plan as at March 2005 which will result in an enlarged 180 metre deep open pit and will require a prospective strip ratio of 19.2:1 to be adopted in future. During the quarter ended June 30, 2005, the Company deferred \$0.7 million for deferred stripping costs based on a life of mine strip ratio of 19.2:1 compared to the actual strip ratio for the second quarter of 24.3:1.

Restoration, rehabilitation and environmental expenditure

Expenditures related to ongoing restoration, rehabilitation and environmental obligation activities are accrued and expensed as incurred and included in the relevant exploration activity cost or as part of the cost of production where the expenditures are in relation to current mining operations.

Future restoration, rehabilitation and environmental obligations based on reasonably determinable current regulatory requirements are provided for in accordance with the new standard issued by the Canadian Institute of Chartered Accountants (CICA) in relation to Asset Retirement Obligations (ARO).

Future Income Taxes

The Company has adopted CICA 3465 "Income Taxes". Under the standard, the Company is required to estimate the existence of both taxable losses and the recoverability of these losses. The adoption of CICA 3465 has no material impact on the financial statements.

As at June 30, 2005, the Company has estimated its future recoverable income tax losses in Canada, Australia, the DRC and Zambia. The recoverability of losses is dependent upon the ability to generate positive future taxable income to offset the existing carry forward losses.

Estimates, Risks and Uncertainties

Financial statements prepared in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

The Company's operations and results are subject to a number of different risks at any given time. These risk factors, include but are not limited to disclosure regarding mining and processing, mine development, copper and silver prices, estimation of carrying values, estimation of waste to ore deferred stripping ratios, government and environmental regulations, political stability, operating internationally, health, currency, inflation, key personnel, share market and capital requirements risks. A more detailed analysis of the risk factors the Company is faced with can be found in the most recent Annual Information Form available on SEDAR at www.sedar.com.

In June 2005, a Four Corners program shown on the Australian Broadcasting Corporation (ABC) television made or implied a number of allegations against Anvil Mining Limited.

The ABC program focussed on the DRC Government's military response to rebels capturing the village of Kilwa in the Democratic Republic of Congo (DRC) in October 2004. The program alleged that Anvil was "complicit" or "implicated" in the military action that resulted and the associated loss of life. The company has and will vigorously defend any inference or allegation that it had knowledge of, or provided assistance to, the Democratic Republic of Congo (DRC) armed forces (known as FARDC) in the committing of any human rights violations during the suppression of a rebel insurgency in the town of Kilwa, in October 2004.

The Company and its employees are deeply upset that deaths occurred as a result of the military activity in the town of Kilwa in October last year.

Deed of Cross Guarantee

In June and August 2004, Anvil Mining Limited and certain Australian incorporated companies entered into a Deed of Cross Guarantee and Deed of Variation (the Deeds) under which each company guarantees the liabilities of all other companies that are a party to the Deeds. The companies which form this "Closed Group" (as defined by Australian Securities and Investments Commission Class Order 98/1418) are: - Anvil Mining Limited, Anvil Mining Management NL, Central African Holdings Pty Ltd, Congo Development Pty Ltd, Anvil Mining No 2 Pty Ltd, Anvil Mining No 3 Pty Ltd, Leda Mining Pty Ltd and Bannon Mining Pty Ltd.

Non-GAAP Financial Measures

The terms "operating cash cost (ex-mine gate)" and "total cash cost" of production are used on a per pound of payable copper produced basis and after by-product silver credits are applied. The operating cash cost (ex-mine gate) per payable pound of copper produced is equivalent to the costs of mining and processing operations incurred (after net credits for silver revenues) for the period divided by the number of payable pounds of copper produced during the period. The total cash cost of production per payable pound of copper produced is equivalent to the ex-mine gate cash cost including transport and smelting and refining and realization costs (after net credits for silver revenues) for the period divided by the number of payable pounds of copper produced during the period. Cash operating cost information is included to provide information about the cost structure of the mining and processing operations. The term "operating profit" represents the net attributable revenues after deducting mine operating costs and amortization. The mine operating costs exclude exploration expense, foreign exchange gains and losses and interest and financing fees. This information differs from measures of performance determined in accordance with GAAP in Canada and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP and may not be comparable to similarly titled measures of other companies.

Additional Notes

Information of a scientific or technical nature in this management discussion and analysis and financial review has been prepared under the supervision of Bill Turner, President and Chief Executive Officer of Anvil Mining Limited, a Fellow of the Australasian Institute of Mining and Metallurgy, who has more than five years experience in the field of the activity reported herein and is a qualified person under National Instrument 43-101.

The information in this report that relates to in-situ mineral resources is based on information compiled by Chris Arnold (CPGeo) BSc, MSc, MAusIMM, MMICA, of DevMin Pty Ltd. Chris Arnold is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004

Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and under Canadian National Instrument 43-101. Chris Arnold consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to resource figures for the Kulu Project are based on an independent technical report prepared by Mr Gerry Fahey MAIG, MAusIMM (CP) (who is a NI 43-101 Qualified Person and who also qualifies as a Competent Person) of FinOre Pty Ltd, a geological consulting company in Perth, Australia. The technical report was prepared in accordance with Canadian National Instrument 43-101 and has been filed on SEDAR with the relevant Canadian securities commissions. A copy is available at www.sedar.com. A copy has also been lodged with the Australian Stock Exchange for information purposes. Gerry Fahey consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Forward Looking Statements

The forward-looking statements made in this Management's Discussion and Analysis are based on assumptions and judgements of management regarding future events and results. Such forward-looking statements, including but not limited to those with respect to the prices of copper and silver, estimated resources and reserves, estimated future production, estimated costs of future production which involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of copper and silver, the actual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, changes in the political environment in the countries in which the Company is operating, as well as those factors disclosed in the Company's filed documents.

Statements regarding the Company's plans with respect to the evaluation and future development of the Kulumaziba coarse rejects/tailings deposit, the evaluation of the Mutoshi and Kinsevere-Nambulwa Projects (including Tshifufia Central, Tshifufia South and Tshifufiamashi) and to the recent expansion of the Dikulushi operation are forward-looking statements. There can be no assurance that future due diligence will be successfully completed, that future required regulatory approvals will be obtained or that anticipated transactions or proposed work programmes will be completed satisfactorily. There can be no assurance that the Company will be able to confirm the presence of a mineral deposit at any of the prospects at Mutoshi or Kinsevere-Nambulwa, nor that any mineralization will be proven to be economic. Similarly, there can be no assurance as to the exact result of the recent expansion of the Dikulushi operation.

9. Summary of Quarterly Results (unaudited)

The financial performance, financial position and operating statistics for the last eight quarters are shown in the table below.

Statement of Operations and Earnings	Jun 05 Quarter	Mar 05 Quarter	Dec 04 Quarter	Sep 04 Quarter	Jun 04 Quarter	Mar 04 Quarter	Dec 03 Quarter	Sep 03 Quarter
Copper-silver concentrate sales (\$ millions)	10.5	7.7	8.7	7.2	8.2	7.3	6.7	6.9
Operating profit (loss) before amortization (\$ millions)	3.8	1.2	2.8	2.5	3.3	3.7	2.6	2.8
Amortization (\$ millions)	(1.3)	(1.4)	(1.0)	(0.7)	(0.7)	(0.5)	(0.7)	(0.4)
Operating profit (loss) (\$ millions)	2.5	(0.2)	1.8	1.8	2.6	3.2	1.9	2.4
Net earnings (loss) (\$ millions)	0.2	(1.7)	0.5	0.4	1.5	1.6	0.5	2.5
Basic earnings per share (cents)	0.69	(5.89)	2.13	1.43	6.77	8.61	1.98	14.35
Diluted earnings per share (cents)	0.68	(5.89)	2.03	1.39	6.55	7.93	1.80	12.68
Production Statistics								
Ore processed (tonnes)	81,518	80,812	75,864	65,455	70,053	58,674	66,956	70,915
Copper grade %	4.87	3.86	4.69	5.81	6.42	7.84	6.80	7.99
Contained copper (tonnes)	3,971	3,119	3,558	3,397	4,500	4,603	4,552	5,667
Recovery %	85.5	82.1	81.3	66.8	71.0	73.1	67.5	69.8
Copper produced (tonnes)	3,395	2,559	2,894	2,268	3,189	3,365	3,074	3,960
Silver produced (ounces)	301,967	245,044	277,403	191,021	301,315	255,953	331,555	322,908
Payable pounds of copper contained in concentrate delivered (million pounds)	6.8	5.6	5.8	5.3	7.1	6.7	6.8	8.7
Payable ounces of silver contained in concentrate delivered (ounces)	262,111	230,168	240,553	195,111	287,780	226,997	323,297	303,167